

Appendix F

Issue A: Response to Paragraph 18

1. Describe each type of benefit being provided that is covered by the SFAS-106 accounting rules.

See Appendices A & B, Direct Case at 7-9.

2. Provide, on a year-by-year basis, what the pay-as-you-go amounts would have been had the company not implemented SFAS-106 methods.

1991	\$451,000
1992	636,000
1993	652,000
1994	719,000
1995	798,000

3. Describe the forms of postretirement accrual accounting, if any, that were utilized before the effective date of price cap regulation.

None

4. Describe the type and provide the level of SFAS-106 type expenses reflected in rates before they were adjusted for any exogenous treatment related to SFAS-106.

None

5. Provide the level of SFAS-106 expenses that was reflected in rates on the initial date that the carrier became subject to price cap regulation.

None

Appendix G

Issue C: Response to Paragraph 20

1. The amount associated with implementation of SFAS-106 for the total company (including telephone and non-telephone operations).

\$18.7 million. See Appendix A.

2. An explanation of how the carrier arrived at the total company SFAS-106 amounts.

Rochester developed its total company SFAS-106 expenses by calculating the SFAS-106 expenses for each individual company based upon that company's specific benefits plan and then totaled the results. See Appendix A, Direct Case at 12 n.23.

3. The amounts allocated by the telephone operating companies, including the specific Part 32 Accounts used and the amounts allocated to each of these accounts.

See Direct Case at 23-24.

4. The method of allocating amounts to the telephone operating companies (head counts, actuarial studies).

Because Rochester's total-company SFAS-106 expenses were determined by computing individual company SFAS-106 expenses, there were no allocations as such. See Appendix A.

5. The amounts allocated between regulated and non-regulated activities of the telephone company, with a description and justification of the methodology for the allocation.

See Direct Case at 24.

6. The allocation of costs to baskets, by year.

As shown on Exhibit 1-9 of Rochester's 1993 Annual Access Tariff Filing, the allocation of OPEB expenses to the price cap baskets was as follows:

Common Line	50.8%
Traffic Sensitive	37.5%
Special Access	16.7%

As shown on Exhibit 1-8 of Rochester's 1994 Annual Access Tariff Filing, the allocation of OPEB expenses to the price cap baskets was as follows:

Common Line	53.9%
Traffic Sensitive	18.1%
Trunking	28.0%

Appendix H

Issues D & E: Response to Paragraph 21

1. Describe any VEBA trusts or other funding mechanisms for the expenses that were established prior to the adoption of SFAS-106.

None

2. Provide the amounts placed in those funds for each year since they were implemented, including the 1990-91 tariff year for LECs and the 1989-90 tariff year for AT&T.

None

3. Describe and provide the amounts in the trusts that were for ongoing OPEBs and those that were for TBO.

None

4. Describe the assumptions made when the funds were set up, including but not limited to, the time value of money, expected long term rate of return on plan assets, future compensation levels, and retirement age factors affecting the amount and timing of future benefits.

None

5. State the purpose of the VEBA funds and describe what SFAS-106 benefits packages are covered by each VEBA fund.

None

6. Describe the restrictions, if any, that prevent these VEBA funds from being used for other than SFAS-106 benefits.

None

Appendix I

Issue F: Response to Paragraph 22

See Appendices A & B.

Appendix J

Issue G: Response to Paragraph 23

Deferred tax benefits normally flow into an exchange carrier's separated costs as a reduction in rate base. See section 65.830(a)(1) of the Commission's rules. The correct recognition of deferred tax benefits for exogenous cost treatment is identical to the correct treatment for separations purposes, *i.e.* as a reduction in rate base. Rochester has correctly treated the deferred tax benefits associated with OPEBs.

In computing its exogenous adjustment for the TBO portion of OPEB, Rochester calculated the rate base impact of these costs. This impact is negative, reflecting both the deferred tax benefit associated with the TBO portion of OPEB and the unfunded accrued pension costs anticipated in connection with the TBO. See section 65.830(a)(3) of the Commission's rules. The return on this reduction of rate base was grossed up for income taxes and included as a negative component of the exogenous cost Rochester claimed for OPEB in its 1993 Annual Access Tariff Filing. Rochester computed its exogenous cost for the 1994 Annual Access Tariff Filing in a similar manner. The 12 months of OPEB expenses which remained in Rochester's PCIs as of the 1994 Annual Access Tariff Filing included a negative component attributable to the reduction in rate base associated with OPEBs.

Because Rochester has correctly recognized the impact of deferred taxes in its exogenous adjustment for the TBO portion of its OPEB expenses, no further adjustment for deferred taxes is necessary or appropriate.

Appendix K
Response to Paragraph 29

Salaries and Wages			Benefits		
1992	1993	1994	1992	1993	1994
\$88,231	\$87,042	\$84,892	\$10,561	\$20,441	\$15,513

Employees

1992	1993	1994
2,067	1,871	1,734

Average Compensation per Employee		Percent Benefits
1992	\$47,794	10.6%
1993	\$57,446	19.0%
1994	\$57,903	15.5%

Source: ARMIS 43-02 Data for Rochester